THE FOREIGN TRADE OF THE UNITED STATES FROM 1820 TO 1840.

I.

IN studying the accounts of a farmer no great time or effort is required to form a picture of the general character of the farm and the people who occupy it. One may in this way learn to what crops its soils are suited; whether it is a stock or fruit farm; what are the occupations of the farmer and of his family. The various wants of the farm population, and the means by which they are satisfied are registered in this record of sales and purchases. The analogy between such a farm and the United States in its relations to the world market is suggestive. The economic independence of this country in comparison with others is often remarked upon. Yet a detail study of its foreign trade statistics soon shows that such industry as is not dependent in some degree, upon foreign supplies, is both small and crude. A study of the causes and effects of that trade is, therefore, a review of the economic evolution of the country from a standpoint possessing some peculiar advantages. Nevertheless, frequent recourse to other sources of economic information must be made, if the results of such a study are to be helpful or conclusive.

In 1820 there were about ten million people in the United States. One fourth of this number had already found homes west of the Alleghanies, one fourth lived on the Atlantic slope south of the Potomac, a sixth in New England and a third between New England and the Potomac. The density of population in New England was one half greater than that in the central section, three times that in the South, and five times that in the West. The total area then occupied was a little over half a million square miles; the average density of population a little less than twenty to the square mile. The proportionate

area of occupied territory in each section was, approximately, in the ratio of one in New England, three in the middle section, four in the southern, and six in the western.

In New England, 172 persons out of every 1000 were engaged in agriculture, 15 in commerce and 51 in manufacture. Of every 1000 people in the middle states, 163 were occupied on the farms and only 7 in trade, or less than one half the relative number so engaged among their neighbors on the north. Fifty out of every 1000 in the middle states were at work in shops and factories, and of all those engaged in the textile and iron industries of the United States, probably one half resided in this section. The South Atlantic states enrolled 381 out of every 1000 as engaged in agriculture, 4 in commerce and 21 in manufacture. The presence of the slave is shown by the relative number of agricultural laborers exceeding that in the northern states by over one half. In the West the preponderance of agricultural labor was not quite so striking, though the slave-holding states of the Mississippi valley have been included in this section. The returns show 245 of every 1000 as occupied on the farms, 6 in commerce and 24 in the factories. Even the small number 6 gives an exaggerated idea of the importance of commerce in that part of the country. If Louisiana is excluded from this section we find that only 3 in every 1000 of its population were engaged in trade. How largely the West depended upon its navigable rivers for transportation and to what an extent its trade centered in New Orleans is shown by the fact that 41 out of every 1000 of the people of Louisiana were engaged in commerce. Measured by this standard the importance of commerce was 50 per cent. greater to Louisiana than to Massachusetts, and its importance to Massachusetts was twice as great as to any third state.[1]

Heavy freight wagons had, to a large extent, taken the place of the pack horses of half a century earlier, but the canal was for the most part, and the railroad altogether, a thing of the future. By pack horse in 1784 it cost $249 to carry a ton of

[1] The Census of 1820.

freight from Philadelphia to Erie, and as late as 1821, so high a rate as $11 a hundredweight was paid for freight from Philadelphia to Pittsburg.[1] A report to the legislature of New York, dated March 17, 1817, gives some conception of conditions prevailing before the building of the Erie Canal. "The expense of transportation from Buffalo to New York was stated at $100 per ton . . . . , the cost of transportation equaled nearly three times the market value of wheat in New York; six times the value of oats; and far exceeded the value of cured provisions."[2] Freights down the river to New Orleans were much less. A rate of $1.50 a barrel for flour from Louisville to New Orleans was made as early as 1814. The rate up the river was over $100 a ton up to 1819.[3] Niles mentions the fact that so low a rate as $37.50 a ton on freight from New York to Buffalo, was made in 1820.[4] But that this was very exceptional is proved by the seaboard and Pittsburg prices for bar iron in that year. The seaboard prices were from $90 to $100 a ton, the Pittsburg prices $190 to $200, the Cincinnati price about $220.[5]

Under such conditions of transportation the economic isolation of the people west of the Appalachians is hard to realize. One who knew it by experience said: "Under such disadvantages the *commerce of the country was nominal*, and nothing but necessity prompted the inhabitants to engage in it. The farmer had no motive to increase the product of his fields beyond the wants of his family and of immigrants or 'new comers,' as they were called, who might settle in his immediate neighborhood. For many years these immigrants created the only demand which existed in the interior settlements for the surplus products of agriculture."[6] The people on the Atlantic were not so cut off

[1] RINGWALT, *Development of Transportation Systems in the United States*, pp. 21, 33.

[2] ANDREWS, *Report on Colonial and Lake Trade*, 1852, p. 278.

[3] RINGWALT, p. 18.

[4] *Niles' Register*, vol. xx. p. 215.

[5] *Report of Committee on Iron to Convention of Friends of Industry in New York*, November 1831, pp. 17, 18.

[6] RINGWALT, p. 18.

from each other, and over three eighths of our merchant marine was devoted to the coasting trade. The economy of this means of transportation is indicated by the bulky and heavy character of some of the goods taken from the northeastern states to New Orleans. Among other articles may be noted lumber, bricks, building stone, lime, hay, oats, candles, soap, cider, salted fish, potatoes, furniture, carriages, etc.[1]

In the calendar year 1820 the imports of European manufacture retained for home consumption did not amount to 20 million dollars. Four years before, in the fiscal year 1816, they had amounted to nearly 100 million dollars. The average American had decreased his annual purchases of such commodities from twelve dollars to two dollars. The inability to pay for a larger supply was undoubtedly the cause of this economy. Industrial efficiency had not advanced sufficiently in the United States to enable the people to satisfy most of their own wants. Their inability, because of the economic, industrial, or political conditions of the period, to supply the wants of other countries made it necessary that many of their wants should go unsatisfied. That these conditions, as a whole, should be so unfavorable naturally occasions some surprise. There were more lands opened for cultivation than ever before. The number of those able to work had never been so large. The mechanical contrivances for making the work effective had never been so numerous. Competent men, at the time, were of the opinion that there was as much specie in the country as there had ever been.[2] The industry of the country had not been embarrassed

[1] *American State Papers, Commerce and Navigation*, vol. ii. p. 412.

[2] *Niles' Register*, vol. xviii. p. 36. The data brought together by Gallatin about ten years later show quite conclusively that the specie in the country had increased during the preceding decade and that there was probably more than half as much specie as bank currency. Gallatin estimated that the banks held 15 million dollars in specie in 1811, 17 million dollars in 1815, 19 million dollars in 1816, and about 20 million dollars at the end of 1819. The report he used from the United States Bank does not show the two million dollars added to its reserve by importations in 1820. See *Writings of Albert Gallatin*, vol. iii. pp. 291, 358, 363. Secretary Crawford had made an estimate in 1820 that confirms the later work by Gallatin. See *American State Papers, Finance*, vol. iii. p. 494. His estimate that there were 28 million dollars in specie in the country in 1813 is completely refuted by Gallatin's more exact data.

by the withdrawal of foreign capital, as the total investments of such capital in this country were insignificant in amount.[1] All these conditions seemed favorable to prosperity, yet the country was in a state of economic collapse, of which one of the most striking features was the great decline in foreign trade.[2]

What advantages possessed by the country during former periods of prosperity and foreign trade activity had been lost? In the early years of the century the Napoleonic wars had given her special advantages as a carrier of ocean freights, and had also, at times, created enough of a demand for breadstuffs to render their exportation from the United States profitable. These two means of payment enabled the country to import European commodities in considerable quantities for several years. The coming of peace and the establishment of discriminating duties in many countries materially changed these conditions. The relative superiority of our merchant marine, though based on unquestioned excellence of seamanship and unequaled supplies of shipbuilding material, was largely counteracted by the effects of the hostile tariff legislation of Europe.

Following the loss of these advantages, there appeared, during the years 1815–1818, an extraordinary resort to credit in our foreign trade. The excess of imports over exports in 1816–1818 amounted to 100 million dollars.[3] Niles was of the opinion that a similar amount due on foreign accounts was defaulted between 1815 and 1820.[4] It is hardly necessary to say that, with such evidence as this of the lack of financial

[1] It was claimed that there were 30 million dollars in American stocks held abroad at this time. *Niles' Register*, vol. xx. p. 273. If this estimate is correct it is probable that these holdings were to a large extent offset by English securities held here, large purchases of such securities having been made during the War of 1812. *Writings of Albert Gallatin*, vol. iii. p. 283. See article, "The Beginnings of American Financial Independence," in this JOURNAL, March 1898.

[2] McMASTER, *History of the United States*, vol. iv. chap. xxxvi. gives a detailed account of the "hard times" prevailing from 1818 to 1821.

[3] This difference between exports and imports is given as the result of a consultation of the public records by a congressman in 1820. *Niles' Register*, vol. xviii. p. 228.

[4] *Niles' Register*, vol. xix. p. 41.

integrity in the country, European nations would for many years hesitate to send to the United States cargoes greatly exceeding in value those received in return.

The United States was not disposed to sit silent under the restrictions placed upon her merchant marine by foreign legislation. For twenty-five years this marine had constituted the most important factor in the growth of national wealth. It is true that the tariff act passed by the first congress was intended to develop our domestic manufactures. Men at that time, however, had no conception of the intensity of the commercial and industrial rivalry which was to result from the introduction of the machine and the factory. It is probable that the duties levied would have been entirely insufficient to counteract Europe's advantages in larger capital and cheaper labor, even under the ordinary conditions of the period. Certainly they must have been very much higher to divert capital and energy to domestic manufactures in view of the abnormal profits which the Napoleonic wars brought to the American carrying trade. They enjoyed almost a monopoly as neutral carriers during this period. It was hard to make a venture so rash that it would involve loss. Wealth was accumulated in New England with wonderful rapidity, and the people there naturally came to believe that the welfare of the nation was bound up in the preservation of its foreign commerce. Even national pride and honor became a secondary consideration, and it is probable that war would not have been declared in 1812 had it not been for the aggressive spirit of the West, which at that time first found expression in the national councils.

At the close of the war conditions became normal, or at least such as are characteristic of extended peace. Europe declared her independence of American breadstuffs and shipping, and proceeded to enforce that declaration. Congress recognized the need of immediate action, and in 1818 passed an act offering reciprocity in navigation to other countries. These terms were accepted voluntarily by some countries and by others under compulsion of the legislative reprisals in the navigation laws of

1818 and 1820. Much of the relative economic superiority naturally belonging to our merchant marine was thus restored, and for several decades its services constituted a considerable part of our payments for foreign commodities.

But if an agricultural nation is to carry on any considerable commerce with the outside world it must necessarily involve the exportation of farm products; and we naturally turn to consider whether conditions were such as to encourage farmers in the United States to attempt to supply the world market. As a rule the cost of transportation of farm produce from any distance to the seaboard, was greater than the value of the produce when delivered. Robert Fulton, at an early day, enumerated the following products of the interior of the country, "wheat, flour, oats, barley, beans, grain, and pulse of all kinds, cider, apples, and fruit of all kinds, salt, salted beef, pork and other meats, hides, tallow, beeswax, cast and forged iron, pot and pearl ashes, tanner's bark, tar, pitch, rosin and turpentine, hemp, flax, and wool, plaster of paris, ... marble, lime, and timber." He states that none of these articles could pay transportation bills of five dollars per hundredweight.[1] One might draw up a much longer list of the ptoducts of the Mississippi valley in 1820, but the cost of transportation as indicated by data already given was still five dollars per hundredweight from Buffalo to New York City. The heavy cost of transportation was no less effective in increasing the expense for commodities consumed by the farmer than it was in reducing the return for his products. Foreign countries were allowing drawbacks and paying premiums and bounties on exports to the United States to such an extent that their wares were selling in our seaports at prices even below their first cost, if we can trust a numerous array of witnesses.[2] Yet in spite of this fact, the farmer who brought his products to Pittsburg had to give a bushel and a half of wheat for a pound of coffee; a barrel of flour for a pound of tea; and twelve and

[1] RINGWALT, p. 15.

[2] H. H. HYNDMAN, *Commercial Crises of the Nineteenth Century*, p. 20. *Annals* XVI Congress, first session, vol. ii. p. 1980.

a half barrels for one yard of superfine broadcloth.[1] That the farmer had any produce left to exchange for these foreign goods seems remarkable when we consider that in parts of Ohio he must give four bushels of wheat for a yard of domestic cassinet and twenty for a pair of boots. It was reported that in Kentucky wheat sold for twenty cents and corn for ten cents in specie.[2] It has already been noticed that the products of the western farm could at no time pay the expense of transportation to the eastern market, and as late as 1820 flour manufactured from grain grown in central Pennsylvania netted the producers only $1.25 per barrel when marketed in Baltimore.[3] The development of steamboat transportation on the Mississippi and Ohio gave the farmers near those rivers, at times when circumstances were most favorable, a profitable market in New Orleans. In January 1820 fresh beef from Kentucky was sold in the southern market. In that year, it is said, there were already seventy-two steamers on the western rivers. The result of this increase in the means of transportation was shown in heavy shipments from the North, the sales of which failed to pay the expenses of transportation.[4]

The handicap on the farmers of the interior was increased by the position of the southern cotton planters. Their plantations, up to 1820, were so near to tide water that transportation constituted only a small part of the expense of production. The steadily increasing European demand for cotton, while beneficial to the cotton planter, had a disastrous effect on the market for northern farm and factory products in the South. The cotton ships on their return from Europe carried freight at the very lowest rates in preference to sailing in ballast. This enabled the French farmer and manufacturer even of bulky commodities to meet the American producer in successful competition in the New Orleans

[1] Pittsburg *Mercury*, quoted in *Niles* — vol. xx. p. 180. It does not seem surprising that a footnote in the returns for the Digest of Manufactures in Jefferson County, Ohio, says, "The people of the country are determined to use our fabrics in preference to foreign." *American State Papers, Finance*, vol. iv. p. 198.

[2] *Niles' Register*, vol. xix. p. 16.

[3] *Ibid.*, vol. xx. p. 97.

[4] *Ibid.*, for 1820.

market. The list of French commodities on sale there in 1819 included among others such articles as sausages, butter, cheese, bricks, tile, hollow cast iron, etc.[1] Moreover, the tariff legislation of Europe was far more successful against our farm products than when turned upon our merchant marine. The flour which in 1820 netted the producers but $1.25 per barrel in Baltimore paid into the treasury of Spain a revenue of three times that amount if exported to Cuba. This is a fair example of the tariff during that period on nearly all food products of the temperate zone which sought a market in foreign ports.[2]

A third, and probably more important hindrance to the development of an export trade in agricultural products was to be found in the character of the people themselves. Their sanguine disposition, their fondness for speculation, in short their overweening desire to get something for nothing was already exhibiting disastrous results. On every side in stay laws, exemption laws, and sheriff's sales, the story is plainly told that the term agricultural industry had not been used to indicate plodding effort devoted to the production of foods for the world market. Farmers undoubtedly gave a part of their time to supplying the demands of the market, but it would seem that they depended for most of their expenditures upon the more exciting occupation of "buying land cheap and selling it dear." This pursuit had been followed with eminent success during the boom that lasted from 1815 to 1819. Now the tables had turned and for years to come a desperate struggle was to be carried on in maintaining the fictitious values created by speculation. The passage of unconstitutional laws in favor of the debtor, the subversion of the courts when they failed to sustain such laws, the establishment of a state bank for the special purpose of making loans to owners of mortgaged lands, the sale of its notes when issued at a discount of 30 per cent.,[3] such is the record which is literally true for the State of Kentucky alone, but which is a fair type of

[1] *American State Papers, Commerce and Navigation*, vol. ii. p. 412.

[2] HYNDMAN, p. 20.

[3] *Niles' Register*, vol. xx. p. 223.

the procedure in all those states where new lands were coming rapidly into cultivation.

Evidently the United States could not look forward to any considerable exportation of the food products of the interior until the expenses of transportation should be greatly decreased, the tariff restrictions on their importation into foreign countries in some degree relaxed, and the over-capitalization of its farm lands much reduced. These hindrances to economic prosperity confronted over half the population of the country, and it is worth while to consider by what methods and in what spirit they were met.

The American pioneer was indeed fond of speculative gains, but this was by no means his only striking characteristic. His fondness for economic independence and for enterprises in which his own will furnished the initiative to every application of effort, affords us the only satisfactory explanation of his chosen mode of life. What that life involved in many cases is vividly portrayed in the words with which John Randolph sought to characterize the supporters of the tariff act of 1824. He said: "Men in hunting-shirts, with deerskin leggings, and moccasins on their feet want protection for manufactures — men with rifles on their shoulders and long knives in their belts, seeking in the forests to lay in their next winter's supply of bear meat."[1] Such men as these and the descendants of such men had gradually pushed the frontier of American settlements from the Atlantic seaboard far out into the central valley of the continent. When the difficulties of transportation are taken into consideration it is correct to say that already half the people of the country were living at a considerable distance from the sea. The progress they had made in the economic subjugation of the domain into which they had entered was remarkable. It is a matter of no surprise that the American characteristics of self-dependence and self-confidence found their earliest and fullest development and expression under such circumstances. It is true that they had no direct interest in the earnings of the merchant vessels of New England,

[1] *Annals of Congress*, XVII Congress, first session, vol. ii. p. 2370.

yet one cannot doubt that it was the presence of a national spirit, too strong to submit to what they considered intolerable aggression and unjustifiable breaches of faith on the part of England, that caused them to force the country into the War of 1812. If the economic risk to themselves had been as great as it was to New England, they would have pursued the same course.

These men already felt that the economic interests of the country should be considered as a unit. They had an unquestioning and almost boundless faith in the future wealth of the territory in which they lived, but nothing approaching its immediate realization could be attained by them without the aid of the accumulated capital of the eastern seaboard. Their only hope for the common comforts of civilization lay in bringing the consumer and producer nearer together. If American capital and enterprise could be persuaded to flow inward instead of outward, to apply itself to inland transportation and manufactures instead of foreign commerce, they had the fullest confidence that our own remarkable resources would give such capital and enterprise higher rewards than they had ever before attained.

The vote on the tariff act of 1816 enables us to locate more exactly the strength of this movement for the development of our resources. The states of New York, Pennsylvania, New Jersey, Vermont, Kentucky, and Ohio cast fifty-six votes for the bill and only seven against it. It is true that New York and Pennsylvania are coast states and were, therefore, to some extent directly interested in foreign commerce. Yet they extend so far into the interior that their public sentiment at that time was rather western than eastern. Moreover, New York City and Philadelphia already realized that our internal commerce would, in time, far surpass as a wealth producer, any conceivable traffic with the outside world. They also knew that their own interests were bound up with the development of the latter rather than the former.

The people of the far East were not able to look at the matter in this way. It might have been said in 1816 as John Randolph

said in 1824: "When we look to Salem and Boston, to parts of the country where skill and capital, and industry notoriously exist, we find opposition to this bill."[1] The national spirit of the South had been thoroughly roused by the war with England, and though it could see no direct profit to itself in the measure, a desire for greater industrial independence on the part of the nation led its statesmen to join hands with the middle states and the West in passing the tariff act of 1816. The generosity of the South at this time was the decisive factor which determined that a protective policy should dominate the legislation of the country for many years. The tariff bill of 1820 failed to pass. The act of 1824 would have met a like fate had it not received decisive support from New England. This support was undoubtedly due to the remarkable development of the cotton industry from 1821 to 1824, under the stimulus of the heavy protection afforded by the act of 1816.

The great agricultural population of the country proposed to solve the difficulties which confronted it, as follows: They proposed to give to American inventiveness, capital, and industry the greatest possible inducement to apply themselves to improvement of the methods and reduction of the cost of inland transportation. They proposed to meet foreign legislation that restricted our opportunities for exporting agricultural products and carrying ocean freights, by domestic legislation that would restrict the importation of foreign manufactures into the United States, and that would retaliate in full for discrimination against our merchant marine. They proposed by a protective tariff to give capital an opportunity for enterprise in domestic manufactures, which they confidently believed would in time afford a home demand for farm products sufficient to justify the highest values that had been placed upon their lands.

This leads to the consideration of the manufacturing industry from which so much was hoped. There had been some manufacturing even in the colonial period. Washington watched the development of certain industries in the New England states in

[1] *Annals of Congress*, XVII Congress, first session, vol. ii. p. 2370.

the years immediately following the Revolution with the keenest interest. The framers of the tariff act of 1789 were confident that it would warrant a free application of capital to manufacturing. The reasons for its failure to do so have already been noted. Yet even under this act the illegal seizures of American merchantmen by the ships of England, France, and Spain discouraged some of the more timid mariners and caused the investment of small amounts of capital in manufacturing. The embargo act increased these investments considerably, and the War of 1812, which for a time caused an almost complete cessation of foreign trade, was attended by marvelous development in domestic manufactures. It seemed, therefore, when the act of 1816 was passed that a good start had already been made toward the industrial independence so desired by a majority of the population. Their bright anticipations were not to be realized for many years. With the coming of peace England expected a large increase in the demand for her manufactures on the continent, and increased her output accordingly. But peace closed the markets of the continent to English manufacturers much more effectively than war. The goods shut out of the European markets were sent to the United States and sold for whatever they would bring on terms to suit the purchaser. How unprofitable this method of disposing of their surplus product resulted has already been noted.[1] Our imports from England in the years 1815–1819 were 104 million dollars in excess of what they would have been if the proportion to our total imports had been the same as during the third decade of the century. It is probable that the importation of this 100 million dollars' worth was the direct result of the forced exportation. As a consequence of these extraordinary importations the market for domestic manufactures during those years was practically ruined, and, as if this were not enough to destroy all the progress made during the favorable conditions of the War of 1812, a remarkable European demand for our agricultural products offered great inducements to turn the capital formerly used in manufactures into

[1] See page 40.

agricultural channels. So strong was this demand that the average annual export of wheat and flour for the years 1817 and 1818 was 15.5 million dollars, or three times the annual average during 1821–1830. In spite of these discouraging circumstances considerable investment of capital in manufacturing industries was being made. As early as 1818 the largest woolen factory, and the one best supplied with machinery in the United States, was located in Kentucky. The capital invested was $150,000 and its supposed annual capacity $400,000 worth of cloth.[1] In 1817 $80,000 capital was put into an enterprise in Cincinnati, whose annual product under favorable circumstances amounted to $150,000, the largest item being steam engines.[2]

There are no data from which a satisfactory estimate can be made of the amount of manufactures produced in 1820. The census returns enable us to get some idea of the relative importance of different industries in different localities. The digest of manufactures contains returns in regard to 2895 employees in Rhode Island. Ninety-two per cent. of these were employed in the cotton industry and over half of the remainder in woolen factories. The relative importance of leading industries in Massachusetts, based on returns of 4465 employees, is indicated by the following percentages: cottons, 49; woolens, 11; paper, 9; and iron, 3. Of 3321 employees in Connecticut 39 per cent. were employed in the cotton industry, 14 per cent. in the manufacture of mechanical appliances and tools, 16 per cent. in the woolen industry, 3 per cent. in iron, and 8 per cent. in paper. The returns from eight of the leading manufacturing states show that twice as many employees were engaged in the cotton as in the iron industry, and three times as many as in woolen manufacturing. Other contemporary testimony seems to warrant the acceptance of these figures as indicating the relative importance of the industries and in some degree their relative prosperity. Gauged by the same standard, the leading manufacturing industry in Ohio was the manufacture of malt and spirituous liquors,

[1] *American State Papers*, *Finance*, vol. iv. p. 179.

[2] *Ibid.*, vol. iv. p. 196.

though the iron industry was a very close second.[1] The importance of the textile industries is indicated by the experience of a Philadelphia loom-maker, who reported that his product of seventy looms a week was not nearly equal to the demand.[2] The people of Rhode Island were in 1821 congratulated on the prosperity of their extensive cotton mills. Philadelphia at the same time was investing in cotton looms at an unexampled rate. Paterson, New Jersey, reported that, while two years before three of her sixteen extensive factories were running, now nearly all were in active operation.[3] In 1822 the annual dividend of the Waltham cotton factory was 25 per cent.[4] *Niles' Register* announced in June 1822 that new cotton mills were everywhere being erected or old establishments being improved.

The shipbuilding industry was already of such recognized importance that satisfactory information is easily obtained as to the tonnage produced and as to territorial distribution of the product. Maine led the list, producing nearly one third of the entire tonnage of sailing vessels. Massachusetts produced nearly one fourth of the total. New York, Maryland, and Louisiana held the third, fourth, and fifth places as builders of sailing vessels. The total product of the country was nearly 52,000 tons, worth about three million dollars.[5]

On the whole, the manufacturers who suffered so severely during the apparently splendid advance of agricultural interests following the War of 1812, were now in much the better position. There was an abundant supply of cheap labor, loanable funds were seeking investment at lower rates than ever before known in this country, the raw materials of the different industries shared in the general decrease in the value of the products of all extractive industries, the feeling in favor of tariff protection for manufactures was increasing, and the legislation of Europe was of

[1] *American State Papers, Finance*, vol. iv. p. 28.

[2] *Niles' Register*, vol. xx. p. 17.

[3] *Ibid.*, vol. xxi. p. 39.

[4] *Ibid.*, vol. xxii. p. 25.

[5] Letter from Commissioner of Navigation, E. T. CHAMBERLAIN.

such a nature as to convince the American farmer that a home market was the only one that he might hope for in the future.

Such a view of the possibilities of our foreign trade was not altogether warranted. The returns for the fiscal year 1821 indicated some small improvement already in progress. In that year the total imports of the United States amounted to 63 million dollars. We re-exported 21 million dollars' worth of foreign products. This means that in about one third of its foreign trade, the United States practically acted as an agent in transactions between other countries. We exported 20 million dollars in cotton, an amount sufficient to pay for nearly one half of all goods imported for domestic consumption. The exports of products of the sea, of domestic manufacture, and of the forests were respectively two, three, and four million dollars. Fifty-eight per cent. of all our exports were sent to Europe. Sixty-three per cent. of our imports came from there. Our deficit in the European trade was made good by the Asiatic trade, which took 14 per cent. of our exports and returned only 8 per cent. of our imports. The exports and imports to and from Africa and parts of the American continent other than the United States were very nearly at an equilibrium. The trade with the western hemisphere was about twice as large as that carried on with Asia, but hardly half that with Europe. About three fifths of the goods retained for home consumption were manufactures. Among these cottons held the leading position as to imports by a very narrow margin above woolens. Woolens by about the same margin were first as to the amount retained for home consumption. One fourth of the importations of cottons and of silks were re-exported. One half of the sugar and coffee imported was reshipped. Practically all the other imports of food products were for home consumption, though some of the molasses was re-exported in the form of rum. At least one fourth of the imports retained for home consumption were food products. The use of the term food here may be somewhat strained, since one third of the amount was made up of malt or spirituous liquors, while tea and coffee, with the sugar to sweeten

them, and molasses (a large part of which was turned into rum) made seven eighths of the remainder. The large movement of gold and silver is one of the striking features of the year's trade. Eight million dollars were imported and 11 millions exported. The excess of exports in this item shows that economic conditions were such that the United States did not choose to return current products for the foreign commodities imported, but found it to her economic advantage to make payment for the same out of the savings of former years.

The facts so far presented may be summarized as follows: The proportion of the population engaged in farming was so large that the United States may be spoken of as essentially an agricultural nation. Speculative values of farm property and the accompanying extravagance had bankrupted many of the eastern farmers and driven them to new homes in the West. Consequently an area capable of producing much more than the country could consume at that time had been opened up for farming. The difficulties of transportation were such that the expense of carrying the products of the rich farms of the Mississippi valley to the eastern cities far exceeded their value when delivered. The farms on the Atlantic slope, however, produced a surplus for export, which could have been very largely increased had not expensive transportation and foreign tariffs swallowed up all the profits. As a result of these conditions the prices of all products of the northern farms were exceedingly low. The extraordinary advantages of soil and climate enjoyed by the southern planter and his use of water transportation for the comparatively short distance to the seashore, had combined with the rapidly increasing demand for cotton, to maintain that commodity at a very satisfactory price. Seizures, restrictive legislation, and war had made investment in the ocean-carrying trade so unpopular, and mechanical inventions had made the operation of factories so much more feasible, that a considerable amount of capital had been gradually seeking the latter mode of investment ever since the beginning of the century. The tariff of 1816, intended to sustain and encourage this movement, failed

to accomplish its purpose during the next few years, because of European conditions which offered special inducement to American purchasers, because of the great inducement to invest capital in the real estate speculation, and because of the increased prices of raw material. By 1820, however, these conditions were so changed that the agricultural industry, aside from cotton raising, was exceedingly depressed, and the manufacturing interests were evidently about to enter upon a period of prosperity.

In spite of these unfavorable conditions for foreign trade in the United States one is surprised to learn that its total amount was smaller in 1830 than it had been in 1800. From 1821 to 1830, it amounted, in round numbers, to 1600 million dollars. This was 100 million dollars less than for the first decade of the century.[1] In the five years, 1821–1825, it was larger by ten million dollars than in 1826–1830. In the first two years of the decade it was 293 million dollars, in the last two, 291 millions. These facts indicate a slight decline in our foreign trade at a time when an increase was to have been expected, for the expansion in international commerce, which has been so marked a feature of the economic history of the nineteenth century, was already in full progress. Measured in commodities the foreign trade of England increased 50 per cent. from 1820 to 1830. Its annual money value advanced from 75 million pounds sterling during the opening triennium of the decade to 100 millions during the years 1828–1830.[2] Of the seven countries that had a foreign trade in excess of 100 million dollars in 1820 as well as in 1830, the United States was the only one whose foreign trade was declining. France, Russia, Holland and Belgium were extending their international commerce even more rapidly than England.[3] This general expansion of the foreign trade of the world was taking place at a time when most of the nations engaged in it were endeavoring by tariff legislation to develop their own internal domestic industries. The effect of such legis-

[1] These amounts are taken from the official reports.

[2] BOWLEY, *England's Foreign Trade in the Nineteenth Century.* Frontispiece.

[3] MULHALL, *Dictionary of Statistics.*

lation in restricting the extension of trade between different countries appears to have been confined almost entirely to the United States. The reason for this was undoubtedly the abnormal development of our commercial interests during the early years of the century.

The complicated net work of cause and effect which must be untangled in any detailed study of the foreign trade of a country, is, under the most favorable circumstances, little less than appalling. The thread in this snarl which usually requires the most delicate manipulation is the balance for or against the country in its financial account with other nations. Fortunately this perplexing element in the problem can be eliminated before the detail work on the exports and imports of commodities during the third decade of the century is undertaken. It was not till after 1830 that the United States used foreign capital in such amounts that its introduction forced importations and its withdrawal in times of financial stringency abroad, compelled exports not warranted by normal conditions of production. The grounds for the belief that in 1820 American investments abroad equaled in amount the foreign capital invested in the United States, are fully discussed in the article already referred to.[1] It is now in order to review the facts indicating that this condition of things continued throughout the third decade of the century.

During that period our exports of merchandise and specie amounted to $765,848,782. In addition to this, we sold 117,654 tons of shipping to foreigners.[2] Probably very little of this was sold as low as $40 a ton.[3] Taking that as the average price, the aggregate value would have been $4,706,160. The large earnings of our merchant marine in carrying freight for foreigners is another credit item in this account. The fleet in service during the decade was equal to 6,783,113 tons employed for one year.[2] If the annual earnings of this fleet be estimated at the very low

[1] See this JOURNAL, vol. vi. p. 187.

[2] *Report of Commissioner of Navigation*, 1897, p. 347.

[3] See discussion on prices of shipping in this JOURNAL, vol. vi. p. 193.

rate of $33\frac{1}{3}$ a ton,[1] the total obtained is, in round numbers, 225 million dollars. The freight earned by carrying imports into the United States, as well as that paid to foreigners on imported goods, must be subtracted from the total earnings of the fleet in order to obtain our net credit from the ocean carrying trade. Our imports were, in round numbers, 800 million dollars. The expenses of importation were estimated by competent contemporary authority at 10 per cent.[2] Subtracting the 80 million dollars freight on imports from the 225 millions of total earnings, we obtain a net credit through the operations of our merchant marine, of 145 millions.

This amount was made up of two items, freight on our own exports and the earnings on freight between foreign nations. Gallatin estimates our freight earnings on exports at a little over 16 per cent. of the value carried.[3] At 15 per cent. the earnings for the decade would have amounted to 100 million dollars. At that time a ship was expected to make three European voyages annually. Taking this as the average length of voyage for ships engaged in our own carrying trade, we find by dividing the total domestic tonnage entered and cleared in the decade, by six, that less than three fourths of our ships were needed for that trade. But, on the chance that this may be an underestimate, let us say that four fifths were so engaged. This would leave one fifth of the whole number free for freighting between other countries. This is just the number required to earn the remaining 45 millions at the assumed rate of $33\frac{1}{3}$ a ton. There were credits arising from several other sources, of which the amount cannot be estimated. Gallatin enumerates them as follows: "Those arising from the fish which, from the bank, is carried directly to foreign ports; of the whale and spermaceti oil, sold by the fishing vessels in South America; of the furs collected on the northwest coast and sold in China."[4] The total of the three items, of which estimates have been made, is 915.5 million dollars.

[1] See discussion on prices of shipping in this JOURNAL, vol. vi. p. 194.

[2] *Senate Document, No. 55*, XXII Congress, first session, vol. ii. p. 29.

[3] *Ibid.*, p. 21.

[4] *Ibid.*, vol. i. p. 21.

The total amount of merchandise and specie imported in the decade, according to the government returns, was $798,632,565. If the law was strictly followed this amount included 10 per cent. on nearly the entire value imported and 20 per cent. on the rest, to cover the estimated charges on importation. A large part of this went to the American merchant marine and should not be included as a charge in the international account. There is some doubt as to whether this addition to import values was always made.[1] On the other hand there is no question but that there was much fraudulent undervaluation of imports. Neither of these sources of error, which operate against each other, can be accurately determined, but it does not seem probable that the fraudulent undervaluations could have exceeded in amount the additions made for freight really earned by the Americans themselves. Another indeterminate debit item arose from the expenditures of American travelers abroad. It hardly seems possible, however, that these could, at that time, have exceeded in amount, the importations by immigrants into the United States.

There was one serious error operating to decrease the valuation of imports, the effects of which can be estimated with some degree of accuracy. This was the undervaluation of the pound sterling in the treasury department. In getting the amount of English invoices, a pound sterling had been considered equal to $4.44, though its average value for the decade was about 10 per cent. more than that. English imports amounted to over 300 million dollars for the decade. We ought therefore to add at least 30 million dollars to the total value of imports, given above.

Even with this addition, the total of debits against the United States for the decade, amounted to not quite 830 million dollars, or 85 millions less than the total credits.

Gallatin attacked this problem in a somewhat different manner, as early as 1831, and reached the conclusion that "the amount of exports including freight and those items which can-

[1] *Congressional Debates*, 1831–2, p. 3214.

not be ascertained, has certainly exceeded that of the imports."[1]

The balance in favor of the United States obtained above was undoubtedly seriously reduced by the profits made by foreigners on business carried on in the United States. It is hardly possible, however, that these profits could have been sufficient to turn the balance against us. It is a matter of no surprise therefore, that in 1830 *Niles' Register* declares all the world in debt to the United States. Exchange on England, France, Havana and South America, was at a discount.[2]

The imports and exports of the precious metals during the decade was of a character to strengthen the opinion that the United States was financially independent. During the years of panic and crises preceding 1821, her stock of metallic money had been considerably increased. As a result, the supply of such money, at the beginning of this decade, made up over one third of the entire currency. At that time, as ever since, a currency largely composed of metal was not acceptable to the American people. The facts that by far the larger part of the metallic money in the United States was silver, and that the wide territorial distribution of our people called for a money which could be transported over long distances with safety and economy, explain, in part, their preference for a paper currency

Langdon Cheves, and the other men who controlled the issue of bank notes from 1821 to 1825, were decidedly opposed to the expansion of the currency.[3] The precious metals in the country were much in excess of the amount required for bank reserves unless such expansion was to be made. It followed that the export of gold and silver as merchandise, irrespective of the condition of international credit balances was to be expected.

Such an export began in 1821 and continued throughout the first half of the decade. The exports for the five years

[1] *Senate Document, No. 55*, XXII Congress, first session, vol. I. p. 21.

[2] *Niles' Register*, vol. xxxviii. p. 326.

[3] There was a considerable increase in the issue of bank notes in New York in 1824.

amounted to 43.5 million dollars, the imports to only 31.2 millions, the net export for the period being 12.3 millions. The net import of merchandise during the same years amounted to 25.2 million dollars, so it is evident that the excess of the precious metals exported must have been supplemented by freights and other items already discussed, in order to preserve a balance in the current transactions.

It is probable, however, that the result of all transactions for the five years was a net credit to the United States. This much is sure. In England, where, if anywhere, an unfavorable balance might be expected, the purchasers of our products were failing, in 1825,[1] to meet their obligations to American merchants. The large net exports of the precious metals during this period from a country which did not produce her own supply, suggests at once the liquidation of obligations. But if there was any foreign capital in use in the United States it must have been European, and yet in these same years Europe sent us $8,032,000 in gold and silver, while we returned only $5,847,000.[2] In two years of the five our exports to Europe were greater than our imports. In 1822 the movement of commodities between the United States and Europe resulted in a balance against us of over ten million dollars. It is not surprising, therefore, that in part payment of this balance there was a net export of the precious metals to Europe, amounting to three quarters of a million. Again, in 1825 there was a net export of a million dollars to Europe, but this would have been unnecessary if the English cotton speculators had paid for the 30 million dollars worth of American cotton they imported that year. During the last five years of the decade, the stock of gold and silver in the United States increased faster than it had decreased in the first. The panic of 1825, though by no means a serious matter in the United States, had shown the need of a larger metallic basis for our credit system. In 1826 our net imports of the precious metals were nearly two million dollars. In the

[1] *Niles' Register*, vol. xxix. p. 147.

[2] See Appendix p. 144.

last two years of the decade the net imports were nearly nine million dollars. These large importations of specie, immediately following the year 1828, in which the balance on the movement of commodities had been nearly 17 millions against us, indicate that the country was in a very strong position financially.

To some the facts that have been presented will form a sufficient basis for the conclusion that at no time during the third decade of the century was there any considerable amount of foreign capital invested in the United States. Our discussion has, at least, established the fact that imports were at no time materially increased by the desire of European capitalists to transfer their investments to this country. It is also evident that the return of such investments at no time forced exportations of domestic commodities not warranted by our differential advantages in their production. It therefore justifies the entire disregard of the financial account in the detail study of the foreign trade statistics from 1820 to 1830, which is now to be undertaken.

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